

Annual Financial Statements and Supplemental Material

Year Ended June 30, 2004

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Audit Date 6/30/04								County	
		Opinion Date 8/6/04			/icksburg Date Accountant Repo	rt Submitted to Sta	ote:	Kalamazo	
We have audited the first accordance with the S Financial Statements for We affirm that: 1. We have complied volume 2. We are certified public with the following comments and recomments and recommendation and recommendation are recommendations.	vith the lic accounting accounting the licentain there are mende licentain the licenta	e Bulletin for ountants re "Yes" respons oox for each component re accumul 1980). re instance d).	or the Auc egistered onses had no item bell at units/ful ulated ded	local unit of gomental Account of Government dits of Local Unit to practice in May be been discloss low. Indicate the condition of Government dits of Local Unit to practice in May be been discloss low. Indicate the condition of the condition of government discount discou	overnment and relating Standards B to the first and the financial standards of the local unit are more of this unit with the Uniform A	ndered an opin oard (GASB) e Michigan as in Michigan as statements, in excluded from a unreserved in accounting and	nion on finan and the University of DE or revised. Including the range of the financial fund balance of Budgeting	Cial statement iform Report Pressury. PECE I AN I STATE I STAT	The report of 1968,
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ngle Audit Reports (ASLGU)	·			· · · · · · · · · · · · · · · · · · ·				✓	/
rtifled Public Accountant (Firm Nam	e)							✓	,
pet Address 11 E. Water Street, Suite ountant Signature	300				City Kalamazoo		State	ZIP	

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Elected and Appointed Officers

Elected Officials

Village President - Dan Pryson

Village Trustees:

Rachel Freeman Christina Klok Ray Vliek Jack Westendorp Jody Tuinier Bill Brumleve

Administration

Village Manager - Matthew Crawford

Office Administrator - Gloria Kiel

Police Secretary - Linda Langevin

Police Chief - Michael Descheneau

Department of Public Works Director - Ken Schippers



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Independent Auditors' Report

Village Council Village of Vicksburg, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Vicksburg, Michigan (the Village), as of and for the year ended June 30, 2004, which collectively comprise the Village's financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Untied States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Major Street, Local Street, and Department of Public Works Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16 to the financial statements, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated August 6, 2004, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on Pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SDO Seelman, LLF
Certified Public Accountants

Management's Discussion and Analysis

As management of the Village of Vicksburg, Michigan (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the financial

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,473,611 (net assets). Of this amount, \$754,907 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$285,915.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$84,477, a decrease of \$282,115 in comparison with the prior year.
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$85,394 or
 11% of the total General Fund expenditures.
- The Village issued no new general obligation bonds and its total debt decreased by approximately \$63,301 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, legislative, public safety, highways and streets (public works), recreation and culture, and other. The business-type activities of the Village include the Water and Sewer Funds.

The government-wide financial statements can be found on Pages 8 and 9 of this report.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Village, similar to other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Major Street, Local Street, and Department of Public Works Funds, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual appropriated budget for its General, Major Street, Local Street, and Department of Public Works Funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the respective budget.

The governmental fund financial statements can be found on Pages 10 to 19 of this report.

Proprietary Funds. The Village maintains one different type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for the Water Fund and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund, both of which are considered to be major funds of the Village.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on Pages 23 to 38 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information is included in the notes to the basic financial statements on Pages 35 to 36 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$4,473,611 at the close of the most recent fiscal year.

A substantial portion of the Village's net assets (80%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Vicksburg, Michigan's Net Assets

June 30, 2004 Assets:	 Governmental Activities	i	Business-Type <u>Activities</u>		<u>Total</u>
Current and other assets Capital assets, net of accumulated depreciation Total Assets	\$ 1,087,432 1,339,057	\$	738,705 3,805,392	- \$	1,826,137 5,144,449
1 0 0 0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	\$ 2,426,489	\$	4,544,097	\$	6,970,586
Liabilities: Long-term liabilities outstanding Other liabilities	\$ 623,998	\$	1,555,142	\$	2,179,140
Total Liabilities	 387,916		(70,081)		317,835
Net Assets:	 1,011,914		1,485,061		2,496,975
Invested in capital assets, net of related debt Restricted Unrestricted	1,401,833		2,191,393 125,478		3,593,226 125,478
Total Net Assets	 12,742		742,165		754,907
Total Liabilities and Net Assets	 1,414,575		3,059,036		4,473,611
and the Assets	\$ 2,426,489	\$	4,544,097	\$	6,970,586

A portion of the Village's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The Village may use the remaining balance of unrestricted net assets of \$754,907 (17%) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Village of Vicksburg, Michigan's Changes in Net Assets

June 30, 2004	G	overnmental Activities	Business- Type Activities	Total
Revenues:				
Program revenues:				
Charges for services	\$	226,277	\$ 784,329	\$ 1,010,606
Operating grants and contributions		238,081	-	238,081
Capital grants and contributions		-	141,582	141,582
General revenues:				
Property taxes		736,158	-	736,158
Other revenue		48,925	15,137	64,062
State revenue sharing		245,066	-	245,066
Unrestricted investment earnings		6,273	 13,734	 20,007
Total Revenues		1,500,780	954,782	2,455,562
Expenses:			 	
General government		313,103	_	313,103
Public safety		504,427	-	504,427
Public works		730,759	407,982	1,138,741
Recreation and culture		52,588	-	52,588
Legislative		13,762	_	13,762
Other		21,996	-	21,996
Interest and fiscal charges		36,734	 88,296	 125,030
Total Expenses		1,673,369	 496,278	 2,169,647
Increase (Decrease) in Net Assets Before Transfers		(172,589)	458,504	285,915
Transfers In (Out)		(44,606)	44,606	_
Increase (Decrease) in Net Assets		(217,195)	 503,110	 285,915
Net Assets, beginning of year		1,631,770	2,555,926	4,187,696
Net Assets, end of year	\$	1,414,575	\$ 3,059,036	\$ 4,473,611

The Village's net assets increased by \$285,915 during the current fiscal year. One hundred percent of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. In addition, growth is attributable to increased utility rates.

Governmental Activities. Governmental activities decreased the Village's net assets by \$217,195. The key element of this decrease was due to the start up of the TIF Debt Service Fund. Additional information on the Village's TIF Debt Service Fund can be found in Note 15 on Page 38.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities. Business-type activities increased the Village's net assets by \$503,110, accounting for growth in the government's net assets. The key element of this increase was utility extensions.

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$84,477, a decrease of \$282,115 in comparison with the prior year. The total fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$85,394. As a measure of the General Fund's liquidity, the total fund balance represents 11% of total General Fund expenditures.

The fund balance of the Village's General Fund increased by \$13,273 during the current fiscal year.

Proprietary Funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets of the Water Fund at the end of the year amounted to \$396,551. The Water Fund had a total growth in net assets of \$245,937. The unrestricted net assets of the Sewer Fund at the end of the year amounted to \$345,614. The Sewer Fund had a growth in net assets of \$257,173. The unrestricted net assets should be strong enough to be able to meet capital cost needs for the year, as well as emergency capital replacements and a two-month reserve for normal expenditures in case of an extraordinary event. Based on these components, at June 30, 2004, the unrestricted net assets should be \$237,000 for water and \$484,261 for sewer.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$5,905,951 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, furniture, machinery and equipment, vehicles, and construction in progress. The total increase in the Village's investment in capital assets for the current fiscal year was 3%.

Major capital asset events during the current fiscal year included improvements made in utility infrastructure, street repairs, and contractor equipment.

Village of Vicksburg, Michigan's Capital Assets (net of depreciation)

7 00		Goveri Acti		Business-Type Activities					Total			
June 30,		2004		2003		2004		2003		2004	nai	2002
Land Construction in progress Buildings and	\$	761,501 -	\$	761,501 -	\$	-	\$	318,247	\$	761,501	\$	761,501 318,247
land improvements Plant, machinery, furniture,		1,245,643		1,161,632		-		-		1,245,643		1,161,632
and equipment Sewage collector system Water distribution system		93,414		121,858	2,0	512,312 053,155		24,009 2,062,607	:	605,726 2,053,155	;	145,867 2,062,607
Total	\$ 2	2,100,558	\$ 2	2,044,991		39,925 05,392		,267,903 ,672,766		1,239,925 5,905,950		1,267,903 5,717,757

Additional information on the Village's capital assets can be found in Note 6 on Page 32 of this report.

Long-Term Debt (in thousands). At the end of the current fiscal year, the Village had total bonded debt outstanding of \$1,614,000. The Village debt represents bonds secured by specified revenue sources (i.e., revenue bonds), limited tax obligations secured by tax increment revenues or state revenue sources further supported by the full faith and credit of the Village and general obligation bonds.

The Village's Outstanding Debt General Obligation and Revenue Bonds

		Governmental Activities				ss-Type vities	Total			
June 30,	2004	2003			2004	2003	2004			2003
Primary Government:										
General obligation and tax										
increment bonds	\$ 270,000	\$	390,000	\$	-	\$ -	\$	270,000	\$	390,000
Revenue bonds	-		-		1,489,000	1,526,000		1,489,000		1,526,000
Installment purchase agreement	410,667		309,585		-	-		410,667		309,585
Notes payable	18,058		27,669		-	-		18,058		27,669
Municipal Purchase Agreement	-		-		125,000	142,857		125,000		142,857
Compensated absences	55,606		35,521					55,606		35,521
Total	\$ 754,331	\$	762,775	\$	1,614,000	\$ 1,668,857	\$	2,368,331	\$	2,431,632

The Village's total debt decreased by \$63,301 (3%) during the current fiscal year. The net reduction was attributable to making debt service payments as they came due.

Additional information on the Village long-term debt can be found in Note 7 on Pages 33 and 34.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the Vicksburg area is currently 5.1% (as of June, 2004), which is an increase from a rate of 4.1% a year ago. This compares favorably to the state's average unemployment rate and the national average rate.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the Village's budget for the 2004-05 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$85,394. The Village plans to maintain this amount for the 2004-05 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, 126 N. Kalamazoo Avenue, Vicksburg, Michigan 49097.

Government-Wide Financial Statements

Government-Wide Financial Statements Statement of Net Assets

			Prin	nary Govern	nme	nt			Compone
June 30, 2004	0	Governmenta Activitie	ıl	Busines Typ Activiti	ss- ve		T		Downton Developmen
Assets:							Tota	<u>'</u> _	Authori
Cash (Note 4)	9	1,270	1	\$		•			
Investments (Note 4)	,	176,873			- n	\$	1,270		\$ 2,893
Receivables:		170,073		375,208	8		552,081		43,728
Accounts receivable		47,424		100.055					
Taxes receivable, current		39,578		180,857	/		228,281		-
Due from other governmental units		39,725		•	-		39,578		-
Prepaid expenses		21,061		1.55	•		39,725		-
Restricted assets -		21,001		1,556	•		22,617		_
Cash and cash equivalents				171.000					
Land (Note 6)		761 601		174,392			174,392		-
Capital assets, net of accumulated		761,501		-			761,501		_
depreciation (Note 6)		1 220 057							
Other assets		1,339,057		3,805,392			5,144,449		-
Total Assets	\$	2 426 400		6,692			6,692		
Tisker	Φ	2,426,489	3	4,544,097		\$	6,970,586	\$	46,621
Liabilities:									
Accounts payable	\$	28,181	\$	17,421	9	2	45,602	ø	
Accrued liabilities		16,974		49,940	4	,	66,914	\$	-
Accrued interest		16,129		.,,,,,,			16,129		-
Internal balances		54,717		(54,717)			10,129		-
Internal advances		141,582		(141,582)			-		-
Noncurrent liabilities:		•		(11,502)			-		-
Due within one year (Note 7)		130,333		58,857			100 100		
Due in more than		,		30,037			189,190		-
one year (Note 7)		623,998		1,555,142		2	2,179,140		
Total Liabilities		1,011,914		1,485,061			2,496,975		
let Assets:				,,			,,770,773		
Invested in capital assets,									
net of related debt	1	1,401,833	,	101 202		_	•••		
Restricted - Bond indentures		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	4	2,191,393		3	,593,226		-
Unrestricted		12,742		125,478			125,478		-
otal Net Assets	1	,414,575		742,165			754,907		46,621
otal Liabilities and Net Assets				,059,036			473,611		46,621
1.00 1105013	\$ 2	,426,489	\$ 4	<u>,544</u> ,097	\$	6,	970,586	\$	46,621

					Progr	ram Revenues	5	
Year Ended June 30, 2004	Expenses			Charges for Services	Ca	Operating Grants and Intributions	Ca	Capital Grants and ontributions
Primary Government:								
Governmental activities:								
General government	\$	313,103	\$	34,100	\$	_	\$	_
Legislative		13,762		· -		_	-	_
Public safety		504,427		6,500		812		_
Public works		730,759		185,677		207,950		_
Recreation and culture		52,588		· -		29,319		_
Other		21,996		-		-		_
Interest and fiscal charges		36,734		-		-		_
Total governmental activities		1,673,369		226,277		238,081		_
Business-type activities:		•					-	
Water		154,244		328,687		_		70,791
Sewer		253,738		455,642		_		70,791
Interest and fiscal charges		88,296				-		-
Total business-type activities		496,278		784,329				141,582
Total Primary Government	\$ 2	2,169,647	\$	1,010,606	\$	238,081	\$	141,582
Component Unit - Downtown Development Authority	\$	1,815	\$	-	\$	<u>-</u>	\$	-

General Revenues:

Property taxes

State revenue sharing

Other revenue

Unrestricted investment earnings

Total General Revenues

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets, beginning of year (Notes 14 and 15)

Net Assets, end of year

Government-Wide Financial Statements Statement of Activities

Compone Un		it	Primary Governme			
Downtow Developmen Authorit	Total		Governmental Type Activities Activities			
\$	(279,003)	\$	\$ -	\$ (279,003)		
•	(13,762)		-	(13,762)		
	(497,115)		-	(497,115)		
	(337,132)		-	(337,132)		
	(23,269)		-	(23,269) (21,996)		
	(21,996)		-	(36,734)		
	(36,734)					
	(1,209,011)			(1,209,011)		
	245,234		245,234	-		
-	272,695		272,695	-		
_ _	(88,296)		(88,296)			
	429,633		429,633	_		
	(779,378)		429,633	(1,209,011)		
(1,815)			-			
				736,158		
-	736,158		- -	245,066		
-	-		15,137	48,925		
-	20,007		13,734	6,273		
111	756,165		28,871	1,036,422		
111	750,105		44,606	(44,606)		
111	756,165		73,477	991,816		
(1,704)	285,915		503,110	(217,195)		
48,325	4,187,696		2,555,926	1,631,770		
\$ 46,621		\$	\$ 3,059,036	1,414,575		

Governmental Funds Balance Sheet

June 30, 2004		General	Major Street		Local Street		partment of Public Works	G	Other overnmental Funds	Ga	Total overnmental Funds
Assets:											
Cash	\$	1,270	\$ ••	\$	-	\$	_	\$	-	\$	1,270
Investments		16,468	29,631		34,326		24,454		71,994	•	176,873
Receivables:							ŕ		,		,
Taxes		26,586	284		-		12,708		_		39,578
Accounts		46,093	-		-		· -		1,331		47,424
Due from other funds		18,862	12,050		_		24,286		24,386		79,584
Due from other							,		,= .,		77,504
governmental units		-	25,313		8,195		-		6,217		39,725
Prepaid expenditures		15,286					5,775		-		21,061
Total Assets	\$:	124,565	\$ 67,278	\$	42,521	\$	67,223	\$	103,928	<u> </u>	405,515
Liabilities and Fund Balanc	e										
Accounts payable	\$	9,733	\$ 106	\$	105	\$	9,784	\$	8,453	\$	28,181
Accrued liabilities		12,614	-	-	-	*	4,360	Ψ	0,433	Ψ	16,974
Advance from other funds		_	-		_		-,,,,,,		141,582		141,582
Due to other funds		16,824	14,868		5,000		21,774		75,835	*	134,301
Total Liabilities		39,171	14,974		5,105		35,918		225,870		321,038
Fund Balance (Deficit) -											
Undesignated		85,394	52,304		37,416		31,305		(121,942)		84,477
Total Liabilities and Fund Balance	\$ 1:	24,565	\$ 67,278	\$	42,521	\$	67,223	\$	103,928	\$	405,515

Reconciliation of the Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

		 Amoun
Total Fund Balance - Total governmental funds (from Page 10)		\$ 84,47
Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Capital assets, at cost		
Accumulated depreciation	3,744,773 (1,644,215)	
Net capital assets		
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at June 30, 2004, were:		2,100,558
Bonds payable Compensated absences	(698,725)	
Accrued interest on bonds	(55,606)	
rectacd interest on bonds	(16,129)	
	<u>-</u>	(770,460)
et Assets of Governmental Activities		\$ 1,414,575

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2004	General	Majoi Streei		•	Governmental	Total Governmental Funds
Revenues:						
Taxes	\$454,628	\$ -	\$ -	\$234,176	\$ 47,354	\$ 736,158
Special assessments	-	5,878	_	-	,,,,,,,,,,,	5,878
Rental income	-	, <u>-</u>	_	185,677	_	185,677
Intergovernmental -				,		100,077
State shared revenue	245,066	149,276	58,673	_	_	453,015
Grants	812	_	, <u>-</u>	_	_	812
Licenses and permits	3,100	-	-	_	_	3,100
Fines and forfeitures	19,810	-	-	_	-	19,810
Fire department	6,500	-	_	-	_	6,500
Miscellaneous	72,846	_	-	10,711	-	83,557
Investment income	2,067	951	193	732	2,330	6,273
Total Revenues	804,829	156,105	58,866	431,296	49,684	1,500,780
Expenditures:			<u> </u>	,	12,004	1,500,700
General government	234,711	_	_	_		234,711
Legislative	12,658	_	_	_	_	12,658
Public safety	468,740	_	_	_	_	468,740
Public works	21,041	_	_	391,947	_	412,988
Recreation and culture	25,009	_	_	551,547	_	25,009
Highways and streets	, -	242,999	55,759	_	_	298,758
Other	_	-	-	_	21,996	21,996
Principal	9,612	-	_	_	149,333	158,945
Interest and other charges	1,189	_	_	_	36,454	37,643
Capital outlay	18,596	_	_	37,078	141,582	197,256
Total Expenditures	791,556	242,999	55,759	429,025		
Excess (Deficiency) of	771,330	242,777	33,139	429,023	349,365	1,868,704
Revenues Over Expenditures	13,273	(86,894)	3,107	2,271	(200 691)	(2(5.024)
Other Financing Sources (Uses):	13,273	(00,074)	3,107	2,2/1	(299,681)	(367,924)
Debt issued	_	85,809			44.606	400 447
Transfers in	_	65,609	20,000	-	44,606	130,415
Transfers out	_	-		(20,000)	(44.606)	20,000
Total Other Financing			-	(20,000)	(44,606)	(64,606)
Sources (Uses)	-	85,809	20,000	(20,000)		85,809
Net Change in Fund Balances	13,273	(1,085)	23,107	(17,729)	(299,681)	(282,115)
Fund Balances, beginning of year	72,121	53,389	14,309	49,034	177,739	366,592
Fund Balances (Deficit),		7		.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		300,392
end of year	\$ 85,394	\$ 52,304	\$ 37,416	\$ 31,305	\$ (121,942)	\$ 84,477

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

			Amount
Net Change in Fund Balance - Total governmental funds (from Page 12)		\$	(282,115
Amounts Reported for Governmental Activities in the			
Statement of Net Assets are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$192,805) exceeded depreciation expense (\$134,038) in the current period.			58,767
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets: Issuance of debt			.,, .
Repayments	(130,415)		
	158,944		
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			28,529
Accrued interest	910		
Compensated absences			
Loss on disposal of asset	(20,085) (3,201)		
	(3,201)		(22.276)
home to NL 4.4.	_		(22,376)
nange in Net Assets of Governmental Activities		S (2	217,195)

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

Year Ended June 30, 2004	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes:			
Real property: Current			
Delinquent	\$ 406,000	\$ 408,464	\$ 2,464
Personal property - Current	25,000 66,000	45 42 4	(25,000)
Interest and penalties on delinquent taxes	500	45,434 730	(20,566)
Total Taxes	497,500	454,628	(42, 872)
Licenses and Permits	10,000	3,100	(42,872)
Intergovernmental Revenue - State shared	250,000	245,066	(6,900)
Grants	1,000		(4,934)
Investment Income		812	(188)
Fines and Forfeitures	3,000	2,067	(933)
Fire Department	15,000	19,810	4,810
	6,000	6,500	500
Miscellaneous:			
Service charge in lieu of taxes Contributions	-	11,190	11,190
Other	6,500	29,319	22,819
	21,000	32,337	11,337
Total Miscellaneous	27,500	72,846	45,346
Total Revenues	810,000	804,829	(5,171)
Expenditures: Legislative: Village Council: Salaries, wages, and benefits Other expenditures	9,800 10,000	5,635	4,165
Total Legislative		7,023	2,977
· · · · · · · · · · · · · · · · · · ·	19,800	12,658	7,142
General Government: Village President - Salaries, wages, and benefits	2,000	1,238	763
Village Manager/Clerk - General Office:	2,000	1,230	<u>762</u>
Salaries, wages, and benefits	80,400	02.017	/4.4.4.4.
Other expenditures	5,650	93,816 9,048	(13,416)
Total Village Manager/Clerk - General Office	86,050	102,864	(3,398)
	20,020	102,007	(16,814)

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Continued)

Year Ended June 30, 2004	and	riginal I Final Budget		Actual	riance with nal Budget Positive		
Expenditures (Continued): General Government (Concluded): Clerk - Election: Salaries, wages, and benefits				Actual	(Negative)		
Other expenditures	\$	600 750	\$	398	\$ 202		
Total Clerk - Election				66	 684		
General Office:		1,350		464	 886		
Salaries, wages, and benefits Other expenditures		72,000 53,400		65,721 42,384	6,279 11,016		
Total General Office	12	5,400		08,105			
Village Hall - Other expenditures					17,295		
Village Property - Other - Other expenditures		11,200		9,161	 2,039		
Total General Government		5,750 1,750		2,879	 2,871		
Public Safety: Police Department: Salaries, wages, and benefits Other expenditures	307	7,300	336	6,726	7,039		
Total Police Department							 4,763
Fire Department				3,613	 (24,663)		
Building Inspection:	46	46,000 49,956		9,956	(3,956)		
Salaries, wages, and benefits Other expenditures		,150 ,500		,826 ,345	(676) (9,845)		
Total Building Inspection	9,	650		,171	 (10,521)		
Total Public Safety	429,	600		,740	 (39,140)		
Public works - Other expenditures	18,2	200		041	 		
Recreation and Culture - Parks and Recreation - Other expenditures	24,0			009	(959)		

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Concluded)

Year Ended June 30, 2004	Original and Final Budget	Actual		ariance with inal Budget Positive (Negative)
Expenditures (Concluded):				
Debt Service:				
Principal Interest and other charges	\$ -	\$ 9,612	\$	(9,612)
micrest and other charges	<u> </u>	1,189		(1,189)
Total Debt Service	_	10,801		(10,801)
Capital Outlay:				
Village Hall	6,000	1 206		4.10.1
Village property - Other	5,000	1,896 1,199		4,104
Police department	5,000	3,117		3,801 1,883
Recreation and culture	12,000	12,384		(384)
Total Capital Outlay	28,000			
	28,000	18,596		9,404
Total Expenditures	761,400	791,556	-	(30,156)
Excess Revenues Over Expenditures	48,600	13,273		(35,327)
Other Financing Sources -				
Transfers from other funds	15,000	<u> </u>		(15,000)
Excess Revenues Over Expenditures and				
Other Financing Sources	63,600	13,273		(50,327)
Fund Balance, beginning of year	72,121	72,121		-
Fund Balance, end of year	\$ 135,721	\$ 85,394	<u> </u>	(50,327)

Major Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

Year Ended June 30, 2004 Revenues:	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Intergovernmental - State shared revenue Special assessments Investment income Loan proceeds	\$ 125,000 5,000 2,000	\$ 149,276 5,878 951 85,809	\$ 24,276 878 (1,049 85,809
Total Revenues	132,000	241,914	109,914
Expenditures: Highways, Streets, and Bridges - Construction: Salaries, wages, and benefits Other expenditures	12,000	5,591	(5,591)
Total Construction	12,000	12,756 18,347	(756)
Routine Maintenance: Salaries, wages, and benefits Other expenditures	45,500	20,201 175,704	(6,347) (20,201) (130,204)
Total Routine Maintenance	45,500	195,905	(150,405)
Traffic Services Maintenance: Salaries, wages, and benefits Other expenditures	10,500	1,241 6,335	(1,241)
Total Traffic Services Maintenance	10,500		4,165
Winter Maintenance: Salaries, wages, and benefits Other expenditures	20,000	7,576 6,374 13,791	2,924 (6,374) 6,209
Total Winter Maintenance	20,000	20,165	(165)
Administration, Engineering, and Recordkeeping: Salaries, wages, and benefits Other expenditures	1,000	858 148	(858)
Total Administration, Engineering, and Recordkeeping	1,000		852
otal Expenditures		1,006	(6)
xcess (Deficiency) of Revenues Over Expenditures	89,000 43,000	242,999	(153,999)
und Balance, beginning of year	•	(1,085)	(44,085)
und Balance, end of year	\$ 96,389	53,389	
	φ 20,28Y	\$ 52,304	\$ (44,085)

Local Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

Year Ended June 30, 2004	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues: Intergovernmental - State shared revenue Investment income	\$ 42,000 1,000	\$ 58,673 193	\$ 16,673 (807)
Total Revenues	43,000	58,866	15,866
Expenditures: Highways, Streets, and Bridges - Routine Maintenance: Salaries, wages, and benefits Other expenditures	38,000	12,786 29,839	(12,786) 8,161
Total Routine Maintenance:	38,000	42,625	(4,625)
Traffic Services Maintenance: Salaries, wages, and benefits Other expenditures Total Traffic Services Maintenance	2,000 2,000	186 358 544	(186) 1,642
Winter Maintenance: Salaries, wages, and benefits Other expenditures	12,500	3,844 8,746	1,456 (3,844) 3,754
Total Winter Maintenance	12,500	12,590	(90)
Administration, Engineering, and Recordkeeping - Other expenditures	1,000		1,000
Total Expenditures	53,500	55,759	(2,259)
Excess (Deficiency) of Revenues Over Expenditures	(10,500)	3,107	13,607
Other Financing Sources (Uses) - Transfers (to) from other Funds	25,000	20,000	(5,000)
Excess Revenues Over Expenditures and Other Financing Sources Fund Balance, beginning of year	14,500	23,107	8,607
	14,309	14,309	
Fund Balance, end of year	\$ 28,809	\$ 37,416	\$ 8,607

Department of Public Works Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

Year Ended June 30, 2004	Original and Final Budget	Actual	Variance with Final Budget Positive
Revenues:		Actual	(Negative)
Taxes: Real Property: Current Delinquent Personal Property -	\$ 215,000 12,500	\$ 210,893 -	\$ (4,107) (12,500)
Current	40,000	23,283	(16,717)
Total Taxes	267,500	234,176	
Investment income Rental income Miscellaneous Total Revenues	1,500 165,000 5,500	732 185,677 10,711	(768) 20,677 5,211
	439,500	431,296	(8,204)
Expenditures: Public Works: Salaries, wages, and benefits Other expenditures	225,500 116,000	267,749	(42,249)
Total Public Works		124,198	(8,198)
Capital Outlay	341,500	391,947	(50,447)
Otal Expenditures	66,500	37,078	29,422
excess (Deficiency) of Revenues Over Expenditures	408,000	429,025	(21,025)
Other Financing Sources (Uses):	31,500	2,271	(29,229)
Transfers from other funds Transfers to other funds	25,000	(20,000)	(25,000)
otal Other Financing Sources (Uses)	25,000		(20,000)
xcess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	56,500	(17,720)	(45,000)
und Balance, beginning of year	49,034	(17,729)	(74,229)
ind Balance, end of year	\$ 105,534	49,034	

Proprietary Funds Statement of Net Assets

	Enterpr	ise Funds	
Luna 20, 2004	Water	Sewer	
June 30, 2004	Fund	Fund	Total
Assets:			
Current assets:	_		
Investments Accounts receivable	\$ 171,559	\$ 203,649	\$ 375,208
Due from other funds	90,981	89,876	180,857
Prepaid expenses	63,786	-	63,786
Total current assets	647	909	1,556
	326,973	294,434	621,407
Restricted cash and cash equivalents:			
Bond and interest reserve	102,165	37,366	139,531
Bond and interest reduction	24,861	10,000	34,861
Total restricted cash and cash equivalents	127,026	47,366	174,392
Property, Plant, and Equipment:			
Water distribution system	1,709,482	-	1,709,482
Machinery and equipment	498,948	89,688	588,636
Sewage collector system	<u> </u>	3,146,473	3,146,473
	2,208,430	3,236,161	5,444,591
Less accumulated depreciation	529,779	1,109,420	1,639,199
Net Property, Plant, and Equipment	1,678,651	2,126,741	3,805,392
Other Assets:		2,120,711	3,003,392
Due from other funds - long-term	70,791	70.701	4.44 #04
Loan origination costs	6,692	70,791	141,582 6,692
Total Other Assets	77,483	70,791	148,274
Total Assets	\$ 2,210,133	\$ 2,539,332	\$ 4,749,465
Liabilities and Net Assets:	Ψ 2,210,133	Ψ 2,337,332	\$ 4,749,405
Current liabilities:			
Accounts payable	\$ 2,037	f 15 204	
Accrued expenses		\$ 15,384	\$ 17,421
Due to other funds	40,511 5,055	9,429	49,940
Current maturities of long-term debt	27,143	4,014 31,714	9,069
Total current liabilities	74,746		58,857
Long-Term Debt - Net of current maturities	1,168,857	60,541 386,285	135,287
Total Liabilities	1,243,603		1,555,142
Net Assets:	1,243,003	446,826	1,690,429
Invested in capital assets, net of related debt	100 (51		
Restricted for bond indentures	482,651	1,708,742	2,191,393
Unrestricted (Note 13)	87,328	38,150	125,478
Total Net Assets	396,551	345,614	742,165
	966,530	2,092,506	3,059,036
Total Liabilities and Net Assets	\$ 2,210,133	\$ 2,539,332	\$ 4,749,465

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets

		Enterp	rise	Funds		
Year Ended June 30, 2004		Water Fund		Sewer Fund		<i>T</i>
Operating Revenue: Charges for services Miscellaneous income	\$	328,687 12,600		\$ 455,642 2,537		*** Total *** \$ 784,329
Total Operating Revenue		341,287		458,179	_	15,137
Operating Expenses: Professional service		8,086		32,247	_	799,466
Supplies Salaries Repairs and maintenance		8,049 40,659		3,904 35,149		40,333 11,953 75,808
Insurance Treatment costs		17,529 2,522		17,186 3,281		34,715 5,803
Depreciation Other		46,621 30,778		73,469 49,271 39,231		73,469 95,892 70,009
Total Operating Expenses		154,244		253,738		407,982
Operating Income		187,043		204,441		391,484
Nonoperating Revenues (Expenses): Investment and rental income		11,143		2,591		
Interest expense		(67,646)		(20,650)		13,734 (88,296)
Total Nonoperating Expenses		(56,503)		(18,059)	_	(74,562)
Income Before Transfers	1	30,540		186,382		316,922
Contributed Capital		70,791		70,791		141,582
Transfers from other funds		44,606		<u> </u>		44,606
Net Income	2	45,937		257,173		503,110
Net Assets, beginning of year	3	63,888		1,788,133		2,152,021
Prior Period Adjustment (Note 14)	3:	56,705		47,200		403,905
Adjusted Beginning Net Assets	72	20,593		1,835,333		2,555,926
Net Assets, end of year	\$ 96	66,530	\$	2,092,506	\$	3,059,036

Proprietary Funds Statement of Cash Flows

		Enterpr	ise I	Funds		
Year Ended June 30, 2004	_	Water Fund	•	Sewer Fund		Total
Operating Activities:	·		***			
Cash received from customers	\$	244,142	9	428,528	\$	672,670
Cash paid to suppliers and employees		(134,846)		(198,856)		(333,702)
Cash Provided by Operating Activities		109,296		229,672		338,968
Non-Capital Financing Activities - Transfers from other funds		44,606				
		77,000				44,606
Capital and Related Financing Activities: Principal paid on revenue bond maturities		(0 < 4.40)				
Interest paid on bonds		(26,143)		(28,714)		(54,857)
Capital expenditures		(67,646)		(20,650)		(88,296)
		(73,358)		(60,762)		(134,120)
Cash Used in Capital and Related Financing Activities		(167,147)		(110,126)		(277,273)
Investing Activities - Interest on investments		11,143		2,591		13,734
Increase (Decrease) in Cash		(2,102)		122,137		120,035
Cash and Investments, beginning of year		300,687		128,878		429,565
Cash and Investments, end of year	\$	298,585	•	251,015		
	Ψ	270,303	Φ	231,013	\$	549,600
Reconciliation of Operating Income to Cash Provided by (Used in) Operating Activities:						
Operating income	\$	187,043	\$	204,441	\$	391,484
Depreciation and amortization		47,099	•	49,271	Ψ	96,370
Changes in assets and liabilities:		,		,_,_		70,570
(Increase) decrease in:						
Accounts receivable		(45,193)		(30,439)		(75,632)
Due from other funds		(52,698)				(52,698)
Other assets		746		788		1,534
Increase (decrease) in:						, -
Accounts payable		(17,873)		6,392		(11,481)
Accrued expenses		(2,693)		(272)		(2,965)
Due to other funds		(7,135)		(509)		(7,644)
Cash Provided by Operating Activities	\$	109,296	\$	229,672	\$	338,968

Notes to Financial Statements

1. Description of the Village

The Village is a Michigan General Law Village incorporated under Act 3 of the Public Acts of 1895 and exempt from federal income taxes under the Internal Revenue Code Section 115. The Village operates under a council-manager form of government, and provides services as authorized by its charter.

2. Summary of Significant Accounting Policies

The Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements present the Village (the primary government) and its component units. The following blended component units are included in the Village's reporting entity because of the significance of their operational and financial relationships with the Village.

Blended Component Units

> Vicksburg Development Finance Authority -

The Authority was established by the Village on April 17, 1989, in accordance with the Local Development Financing Act, Michigan Act 281, 1986. The basic purpose of this Authority is to eliminate conditions of unemployment, joblessness, and to promote economic growth of the Village. The Act authorized the Village to designate a specific district within its limits as a Tax Increment Finance Authority District.

The Authority is appointed to preside over this specific district and it is authorized to formulate plans and secure financing for public utility improvements, water well, and street developments. These plans must be set forth in a development/taxing finance plan that must be approved by the governing body of the Village. The Village also appoints the Vicksburg Development Finance Authority's board of directors.

During fiscal year ended June 30, 2003, the Vicksburg Development Finance Authority successfully achieved their goal. Per Resolution 5-1-03-1, the Village Council of the Village of Vicksburg resolved that the Tax Increment Financing Plan of the Local Development Finance Authority be terminated effective in the 2003 fiscal year.

Vicksburg Municipal Building Authority -

The Authority was established by the Village on October 1, 1991, in accordance with the provisions of Act 31, Public Acts of Michigan, 1948. The basic purpose of this Authority is to foster economic growth and development and enhance the general public welfare of the Village. The Village appoints the Vicksburg Municipal Building Authority's board of commissioners. The Vicksburg Municipal Building Authority is included in the financial statements as the Market Place Fund.

Village of Vicksburg Brownfield Redevelopment Authority -

The Authority was established by the Village on March 17, 1998, in accordance with the provisions of Act 381, Public Acts of 1996. The basic purpose of this Authority is to promote the revitalization of environmentally distressed areas in the Village. The Village appoints the Village of Vicksburg Brownfield Redevelopment Authority's board of directors.

Notes to Financial Statements (Continued)

The following entity meets the requirements of GASB No. 14 for inclusion in the Village's annual report as a discretely presented component unit:

Vicksburg Downtown Development Authority -

The Vicksburg Downtown Development Authority (DDA) was organized in 1986 to reestablish and maintain the vitality of business in the Village. The DDA is a component unit and is discretely presented. The criteria for blending are not met because the DDA does not provide services entirely to the Village and the DDA's Board and the Village Council are not substantively the same.

There are no other entities that the Village is financially accountable or any other organization that the nature and significance of its relationship with the Village is such that exclusion causes the reporting entity's basic financial statements to be misleading or incomplete. The Village determines taxable value of property and bills, collects, and distributes property taxes for several taxing districts. These districts are not included in these basic financial statements because they are entities with independently elected boards and/or commissions who establish their own millage rates and are responsible for all financial control including budgeting and operating surpluses and deficits.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree that the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first and then unrestricted resources, as they are needed.

Notes to Financial Statements (Continued)

The Village reports the following major governmental funds:

- The General Fund is used to account for all financial transactions not accounted for in another fund including general operating expenditures of the local units. Revenues are derived primarily from property taxes and state shared revenue, grants, and other intergovernmental revenues.
- The Major Street Fund accounts for the maintenance of all major streets and trunk lines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Local Street Fund accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Department of Public Works Fund accounts for the Village's share of local streets and routine maintenance of village infrastructure. Financing is provided by special revenues from tax revenues.

The Village reports the following proprietary funds:

- The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities, and customers. This fund is considered a major fund.
- The Sewer Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities, and customers. This fund is considered a major fund.

Additionally, the Village reports the following fund types:

- The Special Revenue Funds are used to account for specific revenue derived form state and federal
 grants, General Fund appropriations, and charges for services that are to be expended for specific
 purposes as dictated by legal, regulatory, or administrative requirements.
- The *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, long-term and special assessment obligations, principal, interest, and related costs.

Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Village considers revenues available if they are collected within 60 days of the end of the current fiscal period.

Notes to Financial Statements (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

All governmental and business-type activities and enterprise funds of the Village follow applicable accounting and financial reporting standards of the Financial Accounting Standards Board issued through November 30, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements.

Budgets and Budgetary Accounting

- General Budgetary Policies. The Village Manager submits to the Village Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of a resolution.
- Budget Transfers and Amendments. The Village Manager is authorized to transfer budgeted amounts between departments; however, any revisions altering the total expenditures of any fund must be approved by the Village Council.
- Budgetary Basis of Accounting. The formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

Appropriations are authorized by resolution at the fund level. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line item budgets. All unexpended appropriations lapse at year-end.

Cash, Cash Equivalents, and Investments

The Village considers cash and cash equivalents including amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date required by the government, when purchased to be cash for the Statement of Cash Flows.

State statutes authorize the Village to invest in obligations of the U.S. treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's investment pool. Investments are reported at fair value, except that commercial paper and U.S. Treasury and Agency obligations with a remaining maturity at the time of purchase of one year or less, are shown at amortized cost.

Notes to Financial Statements (Continued)

Interfund Transactions

Activity between funds are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Restricted Assets

Certain proceeds of the Village's proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "restricted" account is used to segregate resources accumulated for debt service payments. Designated accounts are used to report resources set aside to meet various capital requirements.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years.

All fixed assets are valued at historical cost or estimated historical cost where actual cost information is not available. Infrastructure assets have not been included in the current year acquisitions. Donated fixed assets are recorded at their fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized as projects are constructed.

Depreciation of all exhaustible fixed assets used by the Village is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	5-50 years
Improvements	5-25 years
Equipment	5-20 years

Notes to Financial Statements (Continued)

Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

3. Stewardship, Compliance, and Accountability

Budgetary Compliance

The Uniform Budgeting Act (P.A. 621 of 1978) of the state of Michigan requires all General and Special Revenue Funds annually adopt balanced budgets.

Notes to Financial Statements (Continued)

Budgets for the General and all Special Revenue Funds are adopted on the modified accrual basis. In the body of the combining and individual basic financial statements, the Village's actual and budgeted expenditures for the budgetary funds have been shown on a functional level basis. The adopted budgets of the Village for these budgetary funds were adopted on a functional basis.

Compliance

As of June 30, 2004, the Village is in compliance with the bond and interest redemption income requirements for the Water and Sewer Funds.

Deficit Fund Balance

The TIF Debt Fund had a deficit fund balance of \$179,414. The Village plans to eliminate the deficit through property tax levies.

Expenditures Over Appropriations

P.A. 621 of 1978 Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's actual expenditures and budgeted expenditures have been shown on a functional basis. The Village incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

Year Ended June 30, 2004	Excess Expenditures
General Fund:	<u> </u>
General Government -	J
Village Manager/Clerk - General Office Public Safety:	16,814
Police department	24,663
Building inspection	10,521
Public Works -	10,321
Other expenditures	2,841
Recreation and Culture -	2,041
Parks and recreation	959
Debt Service	10,801
Special Revenue Bonds:	10,001
Major Street Fund -	
Highways, Streets, and Bridges:	
Construction	6,347
Routine maintenance	150,405
Winter maintenance	165
Administration, engineering, and recordkeeping Local Street Fund -	6
Highways, Streets, and Bridges:	
Routine maintenance	4,625
Winter maintenance	90
Department of Public Works -	70
Highways, Streets, and Bridges:	
Salaries, wages, and benefits	42,249
Other expenditures	8,198

Notes to Financial Statements (Continued)

4. Cash, Cash Equivalents, and Investments

Deposits

State statutes require certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan, which are also members of a federal or national insurance corporation. There are three categories of credit risk that apply to the Village's bank balance: 1) insured or collateralized with securities held by the Village or by the Village's agent in the Village's name, 2) collateralized with securities held by the pledging financial institution's trust department or the Village's agent in the Village's name, and 3) uncollateralized. Cash, cash equivalents, and restricted cash at June 30, 2004, consists of the following:

Deposits		Carrying Amount		Bank Balance
Primary Government:	···.			
Cash Deposits:				
Insured (FDIC)	\$	1,000	\$	100,000
Uninsured and uncollateralized		270	*	29,655
Total Cash	\$	1,270	\$	129,655
Municipal Investment Fund -				· · · · ·
Uninsured and uncollateralized	\$	726,473	\$	726,473
Total Primary Government - Cash and Investments: Insured (FDIC) Uninsured and uncollateralized	\$	1,000 726,743	\$	100,000 756,128
Total Primary Government - Cash and Investments		727,743		856,128
Component Unit:			<u>-</u> -	050,120
Cash - Insured (FDIC)		2,893		2,893
Municipal Investment Fund - Uninsured and uncollateralized		43,728		43,728
Total Component Unit - Cash and Investments		46,621	-	46,621
Total Cash, Cash Equivalents, Restricted Cash, and Investments	\$	774,364	\$	
The state of the s	Ψ_	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	4	902,749

The cash deposits are in various financial institutions located in the Village in varying amounts. The Village's policy limits the investing options to a financial institution located in the state, except when bonding ordinances specify a specific financial institution.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the state of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it deposits the Village funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. All accounts are in the name of the Village and a specific fund or common account. They are recorded in the Village records at cost.

Notes to Financial Statements (Continued)

Investments

State statutes authorize the Village to invest in obligations of the U.S. treasury and other related governmental agencies, commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, and mutual funds comprised of the types of investment vehicles previously named.

The Municipal Investment Fund is an investment pool operated under Michigan Public Act 367 of 1982. This Act restricts the Fund's investments to bankers' acceptances, certificates of deposits of FDIC member banks, U.S. government direct obligations, the highest grade of commercial paper, and repurchase agreements secured by U.S. government obligations. The obligations are "uncollateralized" as the underlying securities are held by the bank in its name.

A reconciliation of the notes to the cash and investments shown on the financial statements at June 30, 2004, is as follows:

	Prima Governma		
Cash and investments per notes:			
Cash deposits	\$	1,000	
Petty cash	-	270	
Investments		726,473	
	\$	727,743	
Cash and investments per Statement of Net Assets:			
Cash	\$	1,270	
Investments	-	552,081	
Restricted cash		174,392	
	\$	727,743	

5. Property Taxes

Property taxes attach as enforceable lien on property on the date levied. Taxes are levied on July 1 and are payable from July 1 to September 15. Taxes are recognized as revenue when collected. Delinquent taxes are recorded as deferred revenue on the last day of February. The Village turns the delinquent real property tax rolls over to the County of Kalamazoo, which then reimburses the Village from its revolving tax fund. This assures the Village of 100% tax collection with the exception of delinquent personal property taxes that are fully reserved.

Notes to Financial Statements (Continued)

6. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

Primary Government		Balance June 30, 2003		Additions	·	Deductions		Balance, June 30, 2004
Governmental Activities:								June 30, 2004
Capital assets not depreciated -								
Land	9	761,501	\$	-	\$	_	9	761,501
Capital assets depreciated:							•	, , , , , , , , , , , , , , , , , , , ,
Improvements		1,157,913		165,254		_		1,323,167
Buildings		686,667		4,007		-		690,674
Equipment		953,887		23,544		8,000		969,431
Totals at Historical Cost		3,559,968		192,805		8,000		3,744,773
Less accumulated depreciation:								
Improvements		281,331		50,817		-		332,148
Buildings		401,617		34,433		-		436,050
Equipment		832,029		48,788		4,800		876,017
Total accumulated depreciation		1,514,977		134,038		4,800		1,644,215
Total Governmental Activities -								
Net Capital Assets	\$	2,044,991	\$	58,767	\$	3,200	\$	2,100,558
Depreciation expense was charged to	gover	nmental funct	ions	as follows:				
General government	\$	74,301						
Public safety		15,119						
Public works		15,935						
Recreation and culture		27,579						
Other		1,104						
	\$	134,038						
Duine and Comment		Balance,						Balance,
Primary Government	Jı	ine 30, 2003		Additions		Deductions	J	une 30, 2004
Business-Type Activities:								
Capital assets not depreciated -	_							
Construction in process Capital assets depreciated:	\$	318,247	\$	-	\$	318,247	\$	-
Sewage collector system		2 100 204						
Machinery and equipment		3,109,304		37,170		-		3,146,474
Water distribution system		83,746		504,890		-		588,636
Totals at Historical Cost		1,704,775		4,706				1,709,481
		5,216,072		546,766		318,247		5,444,591
Less accumulated depreciation:								
Sewage collector system		1,046,697		46,622		-		1,093,319
Machinery and equipment		59,737		16,587		-		76,324
Water distribution system		436,872		32,684				469,556
Total accumulated depreciation		1,543,306		95,893				1,639,199
otal Business-Type Activities - Net Capital Assets	\$	2 (72 744	\$					
A TOL Capital ASSELS		3,672,766		450,873	\$	318,247	\$	3,805,392

Notes to Financial Statements (Continued)

7. Long-Term Liabilities

Changes in long-term liabilities were as follows:

Primary Government	Beginning Balance		Additions	R	Reductions		Ending Balance	D	ue Within
Governmental Activities:							Dutance	-	One Year
Bonds and notes payable:									
General obligation debt	\$ 350,000	\$	_	\$	80,000	\$	270,000	r	00.000
Tax increment bonds	40,000	•	_	v	40,000	Þ	270,000	\$	80,000
Installment purchase agreement	309,585		130,415		29,333		410,667		20.222
Notes payable	27,669				9,611		•		29,333
Other liabilities -	27,003				9,011		18,058		10,128
Compensated absences	35,521		20,085		_		55,606		10.070
Total Long-Term Liabilities -							33,000		10,872
Governmental Activities	762,775		150,500		158,944		754,331		130,333
Business-Type Activities -					100,211		734,331		130,333
Bonds and notes payable:									
Revenue bonds	1,526,000				27.000		1 400 000		
Municipal purchase agreement	142,857		-		37,000		1,489,000		41,000
	 142,837				17,857		125,000		17,857
Total Long-Term Liabilities -									
Business-Type Activities	\$ 1,668,857	\$	<u>-</u>	\$	54,857	\$	1,614,000	\$	58,857

Long-term bonds and notes at June 30, 2004, is comprised of the following:

Primary Government	Final Maturity Dates	Interest Rates	o	utstanding Balance
Governmental Activities: LDFA General Obligation Bonds DDA General Obligation Bonds	11/1/2004 11/1/2009	6.150%-8.000% 6.600%-8.000%	\$	45,000 225,000
Water Supply Installment Purchase Agreement Police Vehicle Loan 2003 Total Governmental Activities	6/30/2018 3/9/2006	5.875% 5.000%		410,667 18,058
Business-Type Activities:			\$	698,725
1979 Sanitary Sewage Disposal System Revenue Bonds 1991 Water Supply System Revenue Bonds 1997 Sewer Public Improvement Municipal Purchase Agreement 1997 Water Public Improvement Municipal Purchase Agreement	1/1/2019 1/1/2030 9/1/2010 9/1/2010	5.000% 5.875% 6.600% 6.600%		343,000 1,146,000 75,000
Total Business-Type Activities	3/1/2010	0.000%	\$	50,000 1,614,000

Notes to Financial Statements (Continued)

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's Governmental Funds. The annual requirements to pay principal and interest on long-term bonds and notes outstanding for the primary government are as follows:

	Governmental Activities				Business-Type Activities			
Year Ending June 30,	1	Principal		Interest	***************************************	Principal	-	Interest
2005	\$	119,461	\$	41,866	\$	58,857	\$	92,254
2006		72,263		35,734		59,857	•	88,814
2007		64,333		31,407		60,857		85,315
2008		69,333		27,038		62,857		81,757
2009		69,333		22,455		63,857		78,082
2010-2014		186,667		66,085		298,715		338,039
2015-2019		117,335		21,542		323,000		338,039
2020-2024		-		_		265,000		172,138
2005, and thereafter		+	·			421,000		88,713
	\$	698,725	\$	246,127	\$	1,614,000	\$	1,363,151

During 2003, the Village entered into an installment note agreement, for up to \$440,000 to fund a Water and Sewer Main project for the Angels Crossings Golf Course. The Village drew approximately \$309,000 as of June 30, 2003, and drew the remaining \$131,000 as of June 30, 2004. Approximately \$85,809 of the proceeds received in the year ended June 30, 2004, were used for street maintenance projects, and will be repaid through revenues of the Major Street Fund. The remaining \$324,828 of the year-end loan balance will be repaid through tax collections under the Village of Vicksburg Brownfield Redevelopment Authority.

As of June 30, 2003, the loan was reported as an obligation to the Water Fund. However, this obligation was transferred in 2004 to the TIF Debt Service Fund, as the TIF Fund will reimburse the Water Fund for any costs incurred on behalf of this debt obligation.

In addition, the Village will repay the developers of Angels Crossings Golf Course with future tax collections. The developers will be repaid for expenses incurred after the Village collects tax revenues beyond the principal and interest payments. Any expenses incurred by the Water Fund will be reimbursed prior to the developers.

As of June 30, 2004, the developers of Angels Crossings Golf Course incurred costs of approximately \$1,005,000. As the Village is not obligated to begin making payments until property taxes exceed debt service and water fund obligations, the costs incurred by the developers of Angels Crossings are not included in the long-term liabilities of the Government-Wide Statement of Net Assets.

Notes to Financial Statements (Continued)

8. Pension Plan

The Village provides pension benefits for all of its full-time employees. The Village participates in the agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System of Michigan (MERS).

The plan is supported by contributions from the Village and from the investment income earned on plan assets, after expenses. The Village provides an actuarially determined contribution to meet the financial objective. The calculated employer contribution rates derived from this actuarial valuation as of December 31, 2003, are based on the present provisions of the Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220, as embodied in the MERS Plan Document (as revised).

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained by writing to the following:

Municipal Employees' Retirement System of Michigan 447 North Canal Street Lansing, Michigan 48917-9755

Annual Pension Cost

During the year ended June 30, 2004, the Village's contributions totaling \$52,260 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method.

In general terms, the normal cost is the cost of benefit rights accruing on the basis of current service. Technically, the normal cost rate is the level percentage-of-salary contribution required each year, with respect to each employee, to accumulate over his or her projected working lifetime the reserves needed to meet the cost of earned benefits. The normal cost represents the ultimate cost of the MERS if the unfunded liability is paid and the actual experience of the MERS conforms to the assumptions. Significant actuarial assumptions used include a long-term investment yield rate of 8.0% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. Four year trend information is as follows:

Year Ended December 31,	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
	\$	%	\$
2001	41,964	100	_
2002	50,677	100	_
2003	52,260	100	

Notes to Financial Statements (Continued)

Schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Under- funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
December 31,	\$	\$	\$	%	\$	%
2001 2002 2003	1,213,217 1,178,368 1,206,279	1,521,999 1,566,582 1,593,885	299,782 388,214 387,606	80 75 76	455,038 442,865 461,187	69 88 84

9. Interfund Receivables, Payables, and Transfers

The amounts due from/to other funds consists of the following:

Receivable Entity	Payable Entity	Amount
Department of Public Works Department of Public Works Water Fund Water Fund	Water Fund Sewer Fund Market Place Indebtedness Fund TIF Indebtedness Fund	\$ 5,055 \$ 4,013 \$ 34,453 \$ 29,333
This is the second of the seco		Ψ 27,333

The long-term advances represent cash working capital advances as follows:

Fund	Advances to Other Funds	Fund	Advances from Other Funds
Proprietary Fund - Water Fund Proprietary Fund - Sewer Fund	\$ 70,791 70,791	Debt Service Fund - TIF Indebtedness Debt Service Fund - TIF Indebtedness	\$ 70,791 70,791
Transfers between 10 1	\$ 141,582		\$ 141,582

Transfers between governmental funds and business type funds during the year ended June 30, 2004, were as follows:

	Transfers In	Transfers Out
Debt Service Fund - TIF Indebtedness Proprietary Fund - Water	\$ -	\$ 44,606
	\$ 44,606 \$ 44,606	\$ 44,606

Notes to Financial Statements (Continued)

10. Contingent Liabilities

As with any municipality, claims may from time to time be asserted that allege liability on the part of the Village connected with matters of environmental control, civil rights discrimination, and general liability. The Village is involved in various legal proceedings; while any litigation or investigation has an element of uncertainty, the Village believes the uninsured portion of any lawsuit, or claim that is pending or threatened, or all of them combined, will not have a materially adverse effect on its financial condition or operations.

11. Deferred Compensation

The Village offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. It is the understanding of management that the Village has no liability for losses under the plan.

12. Risk Management and Related Insurance Issues

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural disasters. In order to minimize its exposure to these risks, the Village participates in one public entity risk pool, the Michigan Municipal Liability and Property Pool (MMLPP) for insurance coverage for liability, auto, crime, and property damage risks. The government pays an annual contribution to the pool for its insurance coverage. The agreements for formation of the pool provide that the pool will be self-sustaining through member contributions. The MMLPP reinsures in excess of \$500,000 for liability and \$100,000 in property loss. The MMLPP reinsures through commercial companies in excess of \$1,000,000. The Village has no pool deductible under the comprehensive general liability policy.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village estimates the range of loss, contingent upon these additional assessments to be immaterial. The pool publishes its own financial reports and may be obtained from the following:

Michigan Municipal Liability and Property Pool P.O. Box 2054 Southfield, Michigan 48037

13. Capital Requirements

To address the need for significant infrastructure capital investments, the Village has prepared a five-year capital spending program that contemplates sewer expenditure needs of approximately \$1,000,000.

14. New Pronouncements

In fiscal year 2004, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, and Statement No. 38, Certain Financial Statement Note Disclosures.

Notes to Financial Statements (Concluded)

During 2004, the Village also changed its policy for capitalizing fixed assets by raising the capitalization threshold to \$5,000. Going forward, the Village will record assets with a value of \$5,000 or greater in the fixed asset records. The beginning capital fixed assets were increased by approximately \$15,000 as a result of the review of capital assets. The conversion of governmental activities fund balance to net assets at July 1, 2003, is as follows:

Beginning Fund Balance, as of June 30, 2003	\$	366,592
Net capital assets	•	2,044,991
Accrued interest		(17,038)
Compensated absences		(35,521)
Bonds and notes payable		(727,254)
Net Assets, as of July 1, 2003	\$	1,631,770

15. Restatement of Prior Year Net Assets

During fiscal year 2004, the Village established the TIF Debt Service Fund to account for the general obligations of the water and sewer main project related to the Angels Crossing Golf Course, as discussed in Note 7. The assets constructed through this debt obligation will be assets of the Water and Sewer Funds.

As governmental fund types do not record long-term debt obligations, there was no effect on the previously stated fund balance of the governmental funds. However, as a result of the GASB 34 conversion discussed in Note 14, the debt obligation is included in the adjustment to beginning fund net assets for the government wide statements.

As business type funds record long-term debt obligations on a full accrual basis, the Water Fund's beginning net assets were increased by approximately \$310,000 to adjust for the debt recorded in the fund during fiscal year 2003 to the TIF Fund.

In addition, the Village determined that approximately \$94,000 of engineering costs, divided evenly between the Water and Sewer Funds, were expensed in error during 2003. As these costs were a result of the construction of capital assets, the engineering expenses would be capitalized under full accrual accounting. Therefore, the Water and Sewer Funds beginning net assets were adjusted as follows:

	Busine		
	Water Fund	Sewer Fund	Total
Beginning Net Assets, as previously reported	\$ 363,888	\$ 1,788,133	\$ 2,152,021
TIF Fund debt obligation Capitalization of assets	309,505 47,200	47,200	309,505 94,400
Total prior period adjustment	356,705	47,200	403,905
Beginning Net Assets, as of July 1, 2003	\$ 720,593	\$ 1,835,333	\$ 2,555,926

Supplementary Information

Nonmajor Governmental Funds Combining Balance Sheet

			1	Debt Service				
June 30, 2004	1	VDFA Industrial Complex Fund	Ir	Market Place idebtedness Fund	I	TIF ndebtedness Fund		Total
Assets: Investments Accounts receivable Due from other units Due from other funds	\$	50,479 - - -	\$	21,515 1,331 6,217 20,835	\$	3,551	\$	71,994 1,331 6,217 24,386
Total Assets	\$	50,479	\$	49,898	\$		<u> </u>	103,928
Liabilities: Accounts payable Due to other funds Advance from other funds	\$	7,596 - -	\$	857 34,452	\$	41,383 141,582	\$	8,453 75,835 141,582
Total Liabilities Fund Balance (Deficit)		7,596 42,883		35,309 14,589		182,965 *(179,414)		225,870
Total Liabilities and Fund Balances	\$	50,479	\$	49,898	\$	3,551	s	103,928

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2004	VDFA Industrial Complex Fund	Market Place Indebtedness Fund	TIF Indebtedness Fund	Total
Revenues:				
Taxes Loan proceeds Interest income	\$ -	\$ 43,803	\$ 3,551 44,606	\$ 47,354 44,606
Interest income	1,596	734		2,330
Total Revenues	1,596	44,537	48,157	94,290
Expenditures: Debt service:				
Principal	85,000	35,000	29,333	149,333
Interest	7,382	17,022	12,050	36,454
Other	15,455	6,541	,050	21,996
Capital outlay			141,582	141,582
Total Expenditures	107,837	58,563	182,965	349,365
Deficiency of Revenues Over Expenditures	(106,241)	(14,026)	(134,808)	(255,075)
Other Financing Sources (Uses) - Transfers out			(44,606)	(44,606)
Deficiency of Revenues and Other Financing Sources (Uses) Over Expenditures	(106,241)	(14,026)	(179,414)	(299,681)
Fund Balance, beginning of year	149,124	28,615	-	177,739
Fund Balance (Deficit), end of year	\$ 42,883 \$		\$ (179,414)	\$ (121,942)

Property Tax Levy

Gen	oral	Fun	d

		June 30, 2004				June 30, 2003			
	·	Real Personal		Personal		Real		Personal	
Taxable Value	\$	40,546,898	\$	3,883,600	\$:	37,728,690	\$	4,002,700	
Mills		10		10		10		10	
Levy		405,469		38,836		377,287		40,027	
IFT 7.5 Mills		15,707		10,661		16,443		11,818	
Total Levy	\$	421,176	\$	49,497	_\$	393,730	\$	51,845	

Department of Public Works

	June .	30, 2004	June 30, 2003			
	Real	Personal	Real	Personal		
Taxable Value	\$ 40,546,898	\$ 3,883,600	\$ 37,728,690	\$ 4,002,700		
Mills	5	5	5	5		
Levy	202,734	19,418	188,643	20,014		
IFT 7.5 Mills	7,854	5,331	8,222	5,909		
Total Levy	\$ 210,588	\$ 24,749	\$ 196,865	\$ 25,923		



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Village Council Village of Vicksburg, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Vicksburg, Michigan (the Village), as of and for the year ended June 30, 2004, and have issued our report thereon dated August 6, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Village in a separate letter dated August 6, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of the Village Council, management, and others within the Village, and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants

SDO Seilman, LLP

August 6, 2004